

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name LITTLEFIELD PUBLIC SCHOOL	County EMMET
Fiscal Year End JUNE 30, 2007	Opinion Date SEPTEMBER 5, 2007	Date Audit Report Submitted to State SEPTEMBER 26, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) REHMANN ROBSON		Telephone Number 231-627-3143		
Street Address 902 S. HURON STREET, PO BOX 250		City CHEBOYGAN	State MI	Zip 49721
Authorizing CPA Signature <i>Annette Eustice, CPA, CGFM</i>		Printed Name ANNETTE EUSTICE, CPA, CGFM		License Number 1101019667



HOME OF THE VIKINGS

LITTLEFIELD PUBLIC SCHOOL

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

LITTLEFIELD PUBLIC SCHOOL
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INDEPENDENT AUDITORS' REPORT

September 5, 2007

Board of Education
Littlefield Public School
Alanson, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of ***Littlefield Public School***, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of ***Littlefield Public School's*** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of ***Littlefield Public School*** as of June 30, 2007, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2007 on our consideration of ***Littlefield Public School's*** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3-10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ***Littlefield Public School's*** basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Littlefield Public School (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2007.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$1,419,309 (*net assets*). Of this amount, \$369,391 (*unrestricted net assets*) may be used to meet the District's ongoing obligations and \$38,353 is restricted for debt service.
- The government's total net assets increased by \$52,422, which includes a credit of \$45,621 from Michigan Public Schools Employee's Retirement System. This credit was due to a change in the method of valuing assets for Michigan Public School Employees' Retirement System.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$652,991, a decrease of \$73,397 in comparison with the prior year. Approximately 94%, or \$614,638, is *available for spending* at the District's discretion (*unreserved fund balance*). Of the unreserved fund balance, 44% or \$264,712 has been designated for capital improvements and retirement benefits.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$333,773 or 10% of total General Fund expenditures (excluding transfers).
- The District's total debt decreased by \$303,866 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements. The *District-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused sick or vacation leave).

Both of the District-wide financial statements present functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include instruction, supporting services, food services and athletics. The District has no business-type activities as of and for the year ended June 30, 2007.

The District-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the District-wide financial statements. However, unlike the District-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the District-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the District-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund and the 1999 School Building and Site Construction Fund, which are considered to be the two major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its General Fund and each special revenue fund. A budgetary comparison statement has been provided for the General Fund herein to demonstrate compliance with that budget.

The basic governmental fund financial statements can be found on pages 13-17 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the District-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The only fiduciary fund of the District is an agency fund, which does not have a measurement focus.

The basic fiduciary fund financial statement can be found on page 18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements can be found on pages 19-31 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining fund and other statements and schedules can be found on pages 32-40 of this report.

District-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded its liabilities by \$1,419,309 at the close of the most recent fiscal year.

By far the largest portion of the District's net assets (71%) reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the students it serves; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net assets (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance, (26% or \$369,391), is *unrestricted net assets* and is available for spending at the District's discretion.

Littlefield Public School Condensed Statement of Net Assets

	<u>2007</u>	<u>2006</u>
Assets		
Current assets	\$1,093,331	\$1,139,356
Capital assets, net	<u>3,615,127</u>	<u>3,791,089</u>
Total assets	<u>4,708,458</u>	<u>4,930,445</u>
Liabilities		
Current and other liabilities	802,611	740,440
Long-term liabilities outstanding	<u>2,486,538</u>	<u>2,823,118</u>
Total liabilities	<u>3,289,149</u>	<u>3,563,558</u>
Net assets		
Invested in capital assets, net of related debt	1,011,565	912,527
Restricted	38,353	63,612
Unrestricted	<u>369,391</u>	<u>390,748</u>
Total net assets	<u>\$1,419,309</u>	<u>\$1,366,887</u>

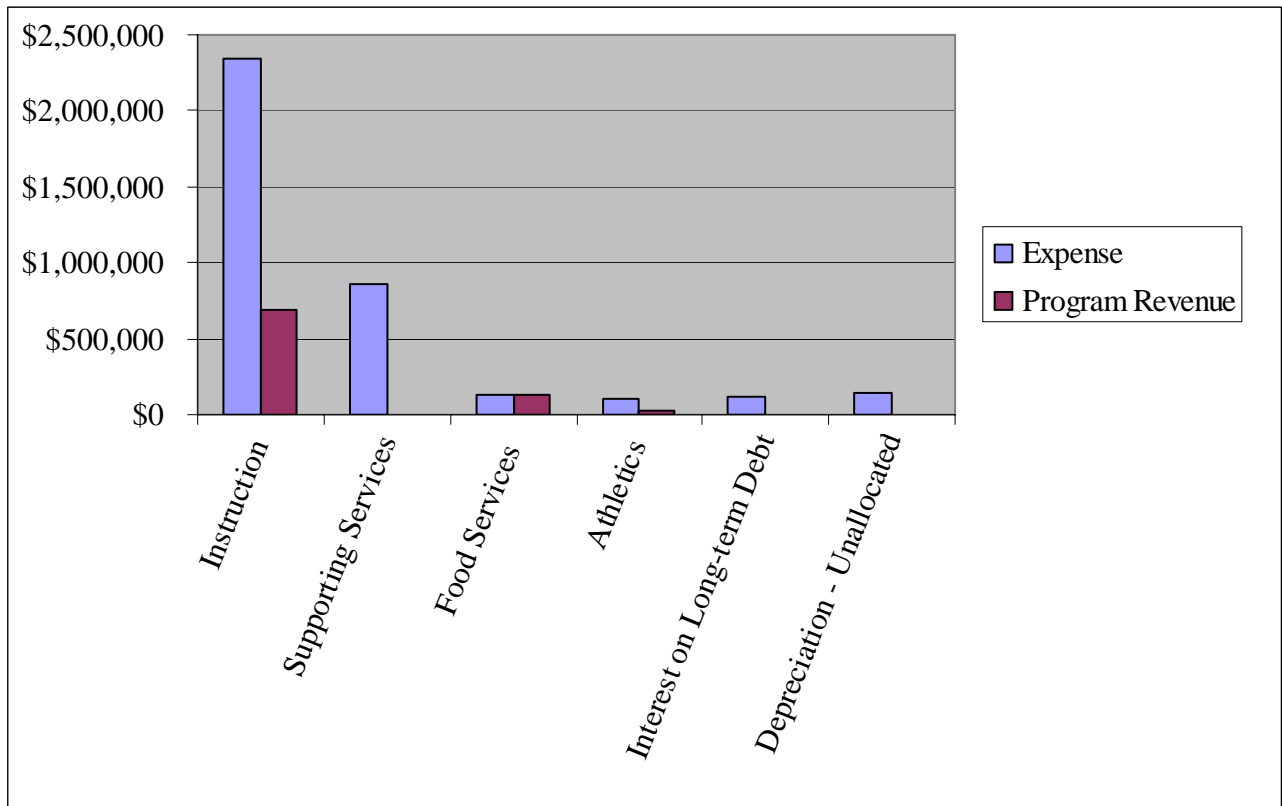
The District's net assets increased by \$52,422 during the current fiscal year. Of this increase, \$45,621 relates to a credit from Michigan Public Schools Employee's Retirement System. This credit resulted from a change in the method of valuing assets for Michigan Public School Employees' Retirement System.

Condensed Statement of Changes in Net Assets

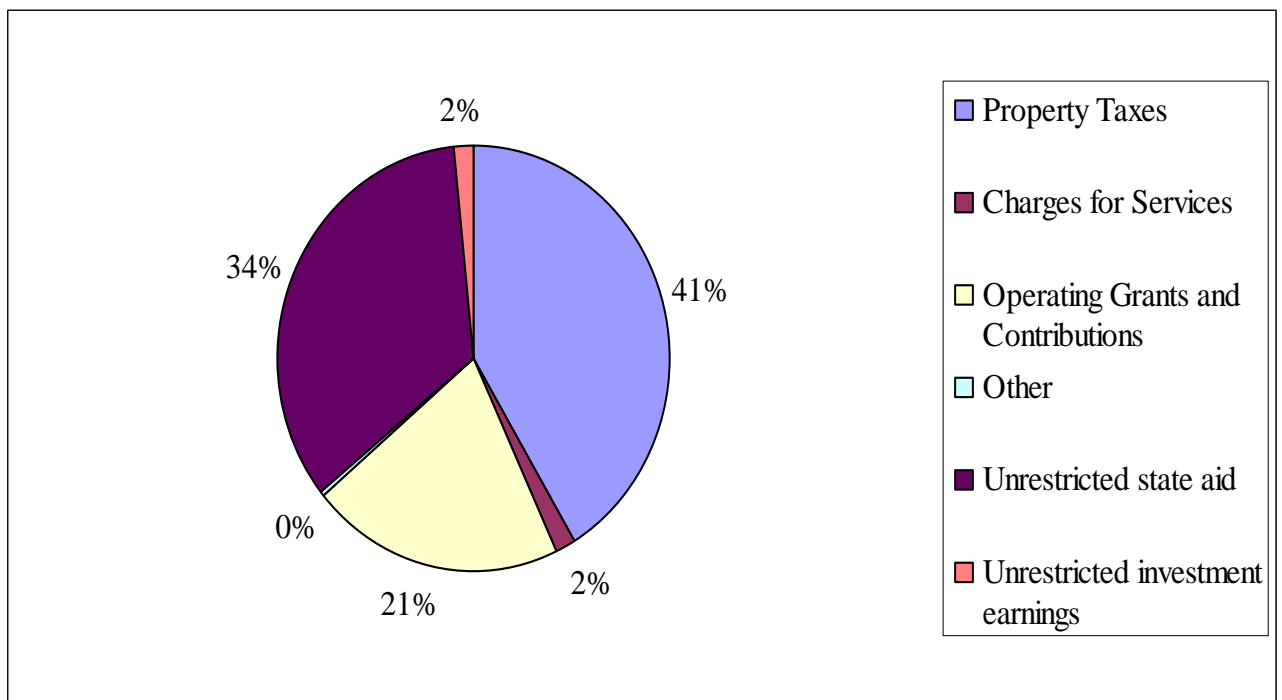
	<u>2007</u>	<u>2006</u>
Revenues		
Program revenues		
Charges for services	\$ 57,887	\$ 73,054
Operating grants and contributions	783,842	800,801
General revenues		
Property taxes	1,559,645	1,445,251
Unrestricted state aid	1,277,924	1,524,184
Unrestricted investment earnings	66,370	54,271
Other	<u>11,206</u>	<u>4,368</u>
Total revenues	<u>3,756,874</u>	<u>3,901,929</u>
Expenses		
Instruction	2,347,898	2,380,980
Supporting services	854,099	966,163
Food services	135,814	138,032
Athletics	105,864	108,910
Interest on long-term debt	117,280	128,331
Depreciation – unallocated	<u>143,497</u>	<u>143,505</u>
Total expenses	<u>3,704,452</u>	<u>3,865,921</u>
Change in net assets	52,422	36,008
Net assets, beginning of year	1,366,887	1,313,666
Prior period adjustment	<u>-</u>	<u>17,213</u>
Net assets, end of year	<u>\$ 1,419,309</u>	<u>\$ 1,366,887</u>

Governmental activities. Governmental activities increased the District's net assets by \$52,422.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$652,991, a decrease of \$73,397 in comparison with the prior year. Approximately 94% or \$614,638 of this total amount constitutes *unreserved fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because the underlying assets are included in contractual obligations for repayment of bonds and are not available for current expenditures.

The General Fund is the principal operating fund of the District. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$333,773, while total fund balance was \$598,485. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved, undesignated and total fund balance to total fund expenditures. Unreserved, undesignated fund balance and total fund balance represent approximately 10% and 19%, respectively, of total General Fund expenditures (excluding transfers).

The fund balance of the District's General Fund decreased by \$42,752 during the current fiscal year. This decrease is primarily attributable to fewer than anticipated students, no increase in the state aid per student allotment and higher than anticipated expenditures.

General Fund Budgetary Highlights

The following were differences between the original and final amended budgets (all numbers are approximate):

- Property taxes, original budget \$1,131,000, amended budget \$1,198,886; attributable to higher than anticipated property values.
- State school aid, original budget \$1,370,500, amended budget \$1,232,303; attributable to fewer than anticipated students enrolled.
- Secondary education – salaries, original budget \$348,136, amended budget \$477,516; attributable to recall of teachers on layoff.
- Secondary education - employee benefits, original budget \$192,128, amended budget \$229,629; attributable to recall of teachers on layoff.
- Secondary education - purchased services, original budget \$76,860, amended budget \$99,969; attributable to At-Risk funds being less than anticipated resulting in the General Fund absorbing costs of alternative programs.

- Special education - purchased services, original budget \$52,556, amended budget \$31,075; attributable to changes in the District's plans to hire aide through a third party.
- Compensatory education - salaries, original budget \$146,234, amended budget \$155,532; attributable to fewer funds available which resulted in part of a teachers time charged to a different area.
- At Risk - employee benefits, original budget \$30,824, amended budget \$9,786; attributable to not enough funds available to cover costs of alternative programs.
- School administration - purchased services, office of the principal, original budget \$117,449, amended budget \$104,821; attributable to spending less than anticipated.
- Other school administration - purchased services, original budget \$60,800, amended budget \$50,770; attributable to change in contracted start date caused by less than anticipated spending.
- Total pupil transportation services, original budget \$102,634, amended budget \$77,960; attributable to fewer drivers than planned and by contracting out mechanical service for busses. As a result, spending was less than anticipated.

Differences between the final amended budget and actual revenues and expenditures were relatively minor.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2007, amounted to \$3,615,127 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles and equipment.

Littlefield Public School Capital Assets (net of depreciation, if applicable)

Land	\$ 6,000
Buildings	3,097,325
Site Improvements	365,066
Equipment	55,840
Vehicles	<u>90,896</u>
Total	<u>\$ 3,615,127</u>

Additional information on the District's capital assets can be found in Note III C on page 26 of this report.

Long-term debt. At the end of the current fiscal year, the District had total bonded debt outstanding of \$2,603,562. Of this amount, \$23,562 is a Durant resolution bond which is not a general obligation of the District and does not constitute an indebtedness of the District within any constitutional or statutory limitations, and is payable solely from state appropriations.

The increase in the compensated absences liability and special termination benefits was \$31,134. This increase, combined with repayments of \$335,000, resulted in a net decrease in total long-term debt of \$303,866 (10%) during the current fiscal year.

Additional information on the District's long-term debt can be found in Note III F on pages 27-29 of this report.

Factors Bearing on the District's Future

The following factors were considered in preparing the District's budget for the 2007-2008 fiscal year:

- Projected number of students enrolled for the 2007/2008 fiscal year decreased to 347 (392.94 actual pupil count for 2006/2007 fiscal year).
- In anticipation of a continuing financial downturn in 2007-2008, several budget cuts were made in staffing levels, including the elimination of one administration position, not replacing one teacher who retired, a reduction in athletic director hours, and further reductions due to retirement of paraprofessionals.
- The District privatized its financial services in a prior year under a three-year contract, saving the District approximately \$9,000 per year. An extension for another three years beginning 2007-2008 was made with additional overall savings.
- With respect to student services, the District has cut fieldtrips expected to cost approximately \$6,000.
- Inflationary trends in the region compare favorable to national indices.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Bently Laser, Superintendent, 7400 North Street, Alanson, MI 49706.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

LITTLEFIELD PUBLIC SCHOOL

STATEMENT OF NET ASSETS

JUNE 30, 2007

Assets

Current Assets

Cash and cash equivalents	\$ 214,217
Investments	589,586
Receivables	264,205
Prepaid expenses	<u>25,324</u>

Total current assets	1,093,332
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Capital assets, net of accumulated depreciation, if applicable	<u>3,615,127</u>
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Total assets	<u>4,708,459</u>
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Liabilities

Current Liabilities

Payables	358,044
Unearned revenue	72,832
Current portion of long-term debt	<u>371,736</u>

Total current liabilities	802,612
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Noncurrent portion of long-term debt	<u>2,486,538</u>
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Total liabilities	<u>3,289,150</u>
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Net Assets

Invested in capital assets, net of related debt	1,011,565
Restricted for debt service	38,353
Unrestricted	<u>369,391</u>

Total net assets	<u>\$ 1,419,309</u>
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The accompanying notes are an integral part of these basic financial statements.

LITTLEFIELD PUBLIC SCHOOLS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 2,347,898	\$ 7,725	\$ 682,585	\$ (1,657,588)
Supporting services	854,099	-	1,818	(852,281)
Food services	135,814	29,323	99,439	(7,052)
Athletics	105,864	20,839	-	(85,025)
Interest on long-term debt	117,280	-	-	(117,280)
Depreciation - unallocated	143,497	-	-	(143,497)
Total governmental activities	\$ 3,704,452	\$ 57,887	\$ 783,842	(2,862,723)
General revenues				
Property taxes - operations				1,198,886
Property taxes - debt service				360,759
Unrestricted state aid				1,277,924
Unrestricted investment earnings				66,370
Other				11,206
Total general revenues				2,915,145
Change in net assets				52,422
Net assets, beginning of year				1,366,887
Net assets, end of year				\$ 1,419,309

The accompanying notes are an integral part of these basic financial statements.

FUND FINANCIAL STATEMENTS

LITTLEFIELD PUBLIC SCHOOL

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2007

	<u>General Fund</u>	<u>1999 School Building And Site Construction</u>	<u>Non- Major Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 161,371	\$ 38,353	\$ 14,493	\$ 214,217
Investments	589,586	-	-	589,586
Due from other governmental units	238,983	-	25,222	264,205
Prepaid expenses	25,324	-	-	25,324
Total assets	<u>\$ 1,015,264</u>	<u>\$ 38,353</u>	<u>\$ 39,715</u>	<u>\$ 1,093,332</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 14,190	\$ -	\$ -	\$ 14,190
Salaries payable and related expenses	325,766	-	-	325,766
Unearned revenue	76,823	-	23,562	100,385
Total liabilities	<u>416,779</u>	<u>-</u>	<u>23,562</u>	<u>440,341</u>
Fund balances				
Reserved				
Debt service	-	38,353	-	38,353
Unreserved				
Designated				
Capital improvements	10,000	-	-	10,000
Retirement benefits	254,712	-	-	254,712
Undesignated, reported in				
General Fund	333,773	-	-	333,773
Special Revenue Funds	-	-	16,153	16,153
Total fund balances	<u>598,485</u>	<u>38,353</u>	<u>16,153</u>	<u>652,991</u>
Total liabilities and fund balances	<u>\$ 1,015,264</u>	<u>\$ 38,353</u>	<u>\$ 39,715</u>	<u>\$ 1,093,332</u>

Continued...

LITTLEFIELD PUBLIC SCHOOL

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2007

Reconciliation of fund balances on the balance sheet for governmental funds to net assets of governmental activities on the statement of net assets

Fund balances - total governmental funds	\$ 652,991
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Amounts reported for governmental activities in the statement of net assets are different because

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds.

Add	- capital assets	6,951,171
Deduct	- accumulated depreciation	(3,336,044)

The focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by unearned revenues in the governmental funds, and thus are not included in fund balance.

Add	- unearned revenues related to Durant settlement	27,553
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct	- bonds payable	(2,603,562)
	- compensated absences	(124,712)
	- early retirement	(130,000)
	- accrued interest on bonds payable	(18,088)

Net assets of governmental activities	\$ 1,419,309
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Concluded

The accompanying notes are an integral part of these basic financial statements.

LITTLEFIELD PUBLIC SCHOOL

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

	General	1999 School Building And Site Construction	Non-Major Funds	Total
Revenues				
Local sources				
Property taxes	\$ 1,198,886	\$ 360,759	\$ -	\$ 1,559,645
Charges for service	7,725	-	50,162	57,887
Interest	57,369	8,168	833	66,370
Other local revenue	13,024	-	-	13,024
State sources	1,463,838	-	4,558	1,468,396
Federal sources	209,092	-	94,881	303,973
Interdistrict sources	291,570	-	-	291,570
Total revenues	3,241,504	368,927	150,434	3,760,865
Expenditures				
Current				
Instruction	2,316,611	-	-	2,316,611
Supporting services	823,466	-	-	823,466
Food services	-	-	134,981	134,981
Athletics	-	-	105,018	105,018
Debt service				
Principal	60,000	275,000	-	335,000
Interest	-	119,186	-	119,186
Total expenditures	3,200,077	394,186	239,999	3,834,262
Revenues over (under) expenditures	41,427	(25,259)	(89,565)	(73,397)
		-		
Other financing sources (uses)				
Transfers in	-	-	84,179	84,179
Transfers out	(84,179)	-	-	(84,179)
Total other financing sources (uses)	(84,179)	-	84,179	-
Changes in fund balances	(42,752)	(25,259)	(5,386)	(73,397)
Fund balances, beginning of year	641,237	63,612	21,539	726,388
Fund balances, end of year	\$ 598,485	\$ 38,353	\$ 16,153	\$ 652,991

Continued...

LITTLEFIELD PUBLIC SCHOOL

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities

Net change in fund balances - total governmental funds	\$ (73,397)
--	-------------

Amounts reported for *governmental activities* in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Deduct - depreciation expense	(175,962)
-------------------------------	-----------

Current revenues in the funds that were recorded as revenues in prior years in the statement of activities.

Deduct - decrease in unearned revenue related to Durant settlement	(3,991)
--	---------

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets

Add - principal payments on long-term liabilities	275,000
---	---------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - net decrease in the accrual for retirement incentives	35,000
Add - decrease in accrued interest payable on bonds	1,906
Deduct - net increase in the accrual for compensated absences	(6,134)

Change in net assets of governmental activities	<u>\$ 52,422</u>
---	------------------

Concluded

The accompanying notes are an integral part of these basic financial statements.

LITTLEFIELD PUBLIC SCHOOL

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2007

	Budget			Variance - Positive (Negative) Amended to Actual
	Original	Amended	Actual	
Revenues				
Local sources	\$ 1,260,900	\$ 1,274,264	\$ 1,277,004	\$ 2,740
State sources	1,563,680	1,418,216	1,463,838	45,622
Federal sources	201,461	208,810	209,092	282
Interdistrict sources	154,956	291,567	291,570	3
Total revenues	3,180,997	3,192,857	3,241,504	48,647
Expenditures				
Education				
Instruction	1,832,777	2,323,112	2,316,611	6,501
Support services	918,418	829,307	823,466	5,841
Debt service				
Principal	-	63,928	60,000	3,928
Total expenditures	2,751,195	3,216,347	3,200,077	16,270
Revenues over (under) expenditures	429,802	(23,490)	41,427	64,917
Other financing uses				
Transfers out	(75,000)	(84,179)	(84,179)	-
Changes in fund balance	354,802	(107,669)	(42,752)	64,917
Fund balance, beginning of year	641,237	641,237	641,237	-
Fund balance, end of year	\$ 996,039	\$ 533,568	\$ 598,485	\$ 64,917

The accompanying notes are an integral part of these basic financial statements.

LITTLEFIELD PUBLIC SCHOOL
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS

JUNE 30, 2007

ASSETS	
Cash and cash equivalents	<u><u>\$ 27,906</u></u>
LIABILITIES	
Due to student groups	\$ 25,929
Scholarship payable	<u> 1,977</u>
Total liabilities	<u><u>\$ 27,906</u></u>

The accompanying notes are an integral part of these basic financial statements.

NOTES TO THE FINANCIAL STATEMENTS

LITTLEFIELD PUBLIC SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

Littlefield Public School (the “District”) has followed the guidelines of the Governmental Accounting Standards Board’s Statement No. 14 and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

B. District-wide and fund financial statements

The District-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year ended 2007.

The statement of activities demonstrates the degree to which the direct expenses, of a given function or segment, are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the District-wide financial statements. The major individual governmental fund is reported as a separate column in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements, except for the agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

LITTLEFIELD PUBLIC SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for reimbursement type grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *1999 School Building and Site Construction fund* accounts for principal and interest payments on the bonds used to finance various construction projects in the District.

Additionally, the District reports the following fund types:

The *Special Revenue Funds* account for the various food service and athletic programs sponsored by the District.

The *Durant Settlement (Debt service fund)* account for the principal and interest payments on the bonds provided to the school district that relate to the Durant debt.

The *Agency Fund* accounts for assets held for other groups and organizations and is custodial in nature.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the District-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided and 2) operating grants and contributions.

LITTLEFIELD PUBLIC SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The effect of interfund activity has been eliminated from the District-wide financial statements.

D. Assets, liabilities and equity

1. Deposits and investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value.

2. Capital assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the District-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25-50
Site Improvements	20
Equipment	5-20
Vehicles and Buses	5-8

LITTLEFIELD PUBLIC SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

3. *Termination benefits*

Compensated absences

District policy permits certain employees, including teachers and support staff, to accumulate earned but unused sick pay benefits, which are paid when the employee separates from service with the District. All sick time is accrued when incurred in the District-wide statements.

No liability is recorded in the District-wide statements for accumulated vacation since hours earned do not vest.

Special termination benefit

Occasionally, the District offers special incentives to employees during a brief period to encourage early retirement. All special termination benefits are accrued when incurred in the District-wide statements.

4. *Long-term obligations*

In the District-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net assets. Where applicable, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

5. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and each special revenue fund. All annual appropriations lapse at fiscal year end.

LITTLEFIELD PUBLIC SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

The General Fund and each special revenue fund are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the General Fund and each special revenue fund are adopted on a functional basis.

B. Excess of expenditures over appropriations

Expenditures in excess of budgeted amounts at the legal level of control are disclosed in the Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

A reconciliation of cash and cash equivalents and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets is as follows:

Statement of Net Assets	
Cash and cash equivalents	\$ 214,217
Investments	<u>589,586</u>
Total Statement of Net Assets	803,803
Statement of Fiduciary Net Assets	
Agency Funds	
Cash and cash equivalents	<u>27,906</u>
Total cash and cash equivalents and investments	<u>\$ 831,709</u>

A reconciliation of cash and cash equivalents as shown in the financial statements to the District's deposits and investments is as follows:

Bank deposits	\$ 242,123
Investments in securities and mutual funds	<u>589,586</u>
Total deposits and investments	<u>\$ 831,709</u>

LITTLEFIELD PUBLIC SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

State statutes authorize the District to deposit and invest in:

- (a) Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the state. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- (b) Certificates of deposit insured by a state or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this state.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- (e) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- (f) Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The District's investment policy allows for all of these types of investments.

The District chooses to disclose its investments by specifically identifying each. As of year end, the District had the following deposits and investments:

<u>Deposit/Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Bank deposits	n/a	\$ 242,123	n/a
Michigan Liquid Asset Fund	n/a	<u>589,586</u>	S&P – AAAM
		<u>\$ 831,709</u>	

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

LITTLEFIELD PUBLIC SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, \$174,350 of the District's bank balance of \$274,638 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. On the investments listed above, there is no custodial credit risk, as these investments are uncategorized as to credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

B. Receivables

Receivables in the governmental activities are 100 percent due from other governments.

LITTLEFIELD PUBLIC SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

C. Capital assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance July 1, 2006	Additions	Disposals	Balance June 30, 2007
Capital assets not being depreciated				
Land	\$ 6,000	\$ -	\$ -	\$ 6,000
Capital assets being depreciated				
Buildings	5,806,555	-	-	5,806,555
Site improvements	572,618	-	-	572,618
Equipment	254,020	-	-	254,020
Vehicles and buses	355,992	-	(44,014)	311,978
Total capital assets being depreciated	<u>6,989,185</u>	<u>-</u>	<u>(44,014)</u>	<u>6,945,171</u>
Accumulated depreciation				
Buildings	(2,593,450)	(115,780)	-	(2,709,230)
Site improvements	(179,774)	(27,778)	-	(207,552)
Equipment	(192,246)	(5,934)	-	(198,180)
Vehicles and buses	(238,626)	(26,470)	44,014	(221,082)
Total accumulated depreciation	<u>(3,204,096)</u>	<u>(175,962)</u>	<u>44,014</u>	<u>(3,336,044)</u>
Total capital assets being depreciated, net	<u>3,785,089</u>	<u>(175,962)</u>	<u>-</u>	<u>3,609,127</u>
Governmental activities capital assets, net	<u>\$3,791,089</u>	<u>\$ (175,962)</u>	<u>\$ -</u>	<u>\$3,615,127</u>

Depreciation expense was charged to functions/programs of the District as follows:

Supporting services	\$ 30,786
Food service	833
Athletics	846
Depreciation – unallocated	<u>143,497</u>
Total depreciation expense	<u>\$ 175,962</u>

LITTLEFIELD PUBLIC SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

D. Payables

Payables are comprised of the following at June 30, 2007:

Accounts payable	\$ 14,190
Salaries payable and related expenses	325,766
Accrued expenses	<u>18,088</u>
Total payables	<u>\$ 358,044</u>

E. Interfund transfers

Transfers are used to move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the year ended June 30, 2007, interfund transfers consisted of \$84,179 in transfers from the General Fund to the Nonmajor Special Revenue Athletics Fund to subsidize the athletic program.

F. Long-Term Debt

Long-term debt of the District consists of the following as of June 30, 2007:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable					
General obligation debt	\$2,855,000	\$ -	\$ 275,000	\$2,580,000	\$ 305,000
Durant resolution debt	<u>23,562</u>	<u>-</u>	<u>-</u>	<u>23,562</u>	<u>-</u>
Total bonds payable	<u>2,878,562</u>	<u>-</u>	<u>275,000</u>	<u>2,603,562</u>	<u>305,000</u>
Other liabilities					
Compensated absences	118,578	6,134	-	124,712	3,236
Special termination benefit	<u>165,000</u>	<u>25,000</u>	<u>60,000</u>	<u>130,000</u>	<u>63,500</u>
Total other liabilities	<u>283,578</u>	<u>31,134</u>	<u>60,000</u>	<u>254,712</u>	<u>66,736</u>
Total long-term liabilities	<u>\$3,162,140</u>	<u>\$ 31,134</u>	<u>\$ 335,000</u>	<u>\$2,858,274</u>	<u>\$ 371,736</u>

LITTLEFIELD PUBLIC SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

Long-term liabilities are as follows as of June 30, 2007:

General Obligation Bonds

1999 Building and Site Construction Bonds, due through May 1, 2014 with annual principal payments ranging from \$305,000 - \$400,000 and semi-annual installments of interest with rates ranging from 4.207% to 4.375%. \$2,580,000

Durant Resolution Bond

1998 series, school improvement bond due in annual installments ranging from \$2,221 to \$13,676 with interest charged at 4.76%. This bond is a self-liquidating bond. The principal and interest is payable solely through annual appropriations by the State of Michigan. If the legislature fails to appropriate the funds, the District is under no obligation for payment. Final payment is due May 15, 2013. 23,562

Total bonds **2,603,562**

Other liabilities 254,712

Total long-term liabilities \$2,858,274

Bond debt service requirements

The annual requirements to service the bonds outstanding to maturity, including both principal and interest, are as follows:

<u>Years Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 305,000	\$ 108,530	\$ 413,530
2009	332,221	96,911	429,132
2010	373,676	88,282	461,958
2011	387,437	68,735	456,172
2012	402,553	52,449	455,002
2013-2014	<u>802,675</u>	<u>52,627</u>	<u>855,302</u>
Total	<u>\$2,603,562</u>	<u>\$ 467,534</u>	<u>\$3,071,096</u>

LITTLEFIELD PUBLIC SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

Compensated absences and special termination benefits are generally liquidated by the General Fund.

IV. OTHER INFORMATION

A. Risk management

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The District has purchased commercial insurance for general liability, property and casualty and health claims and participates in the MASB/SET-SEG (risk pool) for claims relating to employee injuries/workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

B. Property taxes

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of July 1 of the following year. School related property taxes are levied on December 1 each year, based on the previous years assessment, by township governments whose boundaries include property within the District, and are due on February 28. Delinquent real taxes are advanced to the District by the Revolving Tax Fund of the applicable County. Taxes are recorded as revenue in the year levied. Taxes receivable are recorded for property taxes collected within 60 days of year end, if any.

C. Defined benefit pension plan

Plan Description

The District contributes to the Michigan Public School Employees Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits, and death benefits to plan members and beneficiaries. Benefit provisions are established and must be amended by state statute.

LITTLEFIELD PUBLIC SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling 1-800-381-5111.

Funding Policy

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions. The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

The current rate is 17.74% of annual covered payroll. The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature. The District's contributions to MPSERS for the years ended June 30, 2007, 2006 and 2005 were \$261,449, \$272,648, and \$291,290, respectively, equal to the required contributions for each year.

Other Post-employment Benefits

Retirees have the option of health coverage, which is funded on a cash disbursement basis by the District. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

1. Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.
2. Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with the vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

LITTLEFIELD PUBLIC SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

D. Commitments and contingencies

Under the terms of various Federal and State grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the district.

As is the case with other entities, the District faces exposure from potential claims and legal proceedings involving environmental and other matters.

* * * * *

SUPPLEMENTARY INFORMATION

LITTLEFIELD PUBLIC SCHOOL

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2007

	<u>Special Revenue Funds</u>			
	<u>Food Service</u>	<u>Athletics</u>	<u>Durant Settlement</u>	<u>Total</u>
ASSETS				
Assets				
Cash and cash equivalents	\$ 14,493	\$ -	\$ -	\$ 14,493
Due from other governmental units	1,660	-	23,562	25,222
Total assets	\$ 16,153	\$ -	\$ 23,562	\$ 39,715
LIABILITIES AND FUND BALANCES				
Liabilities				
Unearned revenue	\$ -	\$ -	\$ 23,562	\$ 23,562
Fund balances				
Fund balances				
Unreserved, undesignated	16,153	-	-	16,153
Total fund balances	16,153	-	-	16,153
Total liabilities and fund balances	\$ 16,153	\$ -	\$ 23,562	\$ 39,715

LITTLEFIELD PUBLIC SCHOOL

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Special Revenue Funds</u>			
	<u>Food Service</u>	<u>Athletics</u>	<u>Durant Settlement</u>	<u>Total</u>
Revenues				
Local sources				
Charges for services	\$ 29,323	\$ 20,839	\$ -	\$ 50,162
Interest income	833	-	-	833
State sources	4,558	-	-	4,558
Federal sources	94,881	-	-	94,881
Total revenues	129,595	20,839	-	150,434
Expenditures				
Current				
Food services	134,981	-	-	134,981
Athletics	-	105,018	-	105,018
Total expenditures	134,981	105,018	-	239,999
Revenues over (under) expenditures	(5,386)	(84,179)	-	(89,565)
		-		
Other financing sources				
Transfers in	-	84,179	-	84,179
		-		
Changes in fund balances	(5,386)	-	-	(5,386)
Fund balances, beginning of year	21,539	-	-	21,539
Fund balances, end of year	\$ 16,153	\$ -	\$ -	\$ 16,153

LITTLEFIELD PUBLIC SCHOOL

BALANCE SHEET GENERAL FUND

JUNE 30, 2007

ASSETS	
Cash and cash equivalents	\$ 161,371
Investments	589,586
Prepaid expenses	25,324
Due from other governmental units	<u>238,983</u>
Total assets	<u>\$ 1,015,264</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 14,190
Salaries payable and related expenses	325,766
Unearned revenue	<u>76,823</u>
Total liabilities	<u>416,779</u>
Fund balance	
Fund balance	
Unreserved	
Designated	
Capital improvements	10,000
Retirement benefits	254,712
Undesignated	<u>333,773</u>
Total fund balance	<u>598,485</u>
Total liabilities and fund balance	<u>\$ 1,015,264</u>

LITTLEFIELD PUBLIC SCHOOL

SCHEDULE OF REVENUES GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2007

Revenues	
Local sources	
Property taxes	\$ 1,198,886
Charges for service	7,725
Interest	57,369
Other local revenue	<u>13,024</u>
Total local sources	<u>1,277,004</u>
State sources	
State school aid	1,277,924
Other state revenue	<u>185,914</u>
Total state sources	<u>1,463,838</u>
Federal sources	
Title I	155,560
Title II	49,925
Title V	79
Other	<u>3,528</u>
Total federal sources	<u>209,092</u>
Interdistrict sources	<u>291,570</u>
Total revenues	<u>\$ 3,241,504</u>

LITTLEFIELD PUBLIC SCHOOL

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2007

Expenditures

Instruction

Basic programs

Elementary

Salaries	\$ 470,613
Employee benefits	270,367
Purchased services	9,934
Supplies and materials	15,485

Total elementary	766,399
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Secondary

Salaries	479,317
Employee benefits	229,626
Purchased services	99,966
Supplies and materials	18,515

Total secondary	827,424
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Total basic programs	1,593,823
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Added needs

Special education

Salaries	183,163
Employee benefits	119,136
Purchased services	30,329
Supplies and materials	2,579

Total special education	335,207
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Vocational education

Purchased services	165,914
---------------------------	----------------

Compensatory education

Salaries	98,721
Employee benefits	49,018
Purchased services	1,759
Supplies and materials	3,399

Total compensatory education	152,897
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Continued...

LITTLEFIELD PUBLIC SCHOOL

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2007

At risk	
Salaries	\$ 58,984
Employee benefits	9,786
	<hr/>
Total at risk	68,770
	<hr/>
Total added needs	722,788
	<hr/>
Total instruction	2,316,611
	<hr/>
Supporting services	
Other pupil support services	
Salaries	5,551
Employee benefits	11,720
Supplies and materials	367
	<hr/>
Total other pupil support services	17,638
	<hr/>
Instructional staff	
Purchased services	7,330
	<hr/>
General administration	
Board of education	
Salaries	3,481
Benefits	993
Purchased services	24,911
Supplies and materials	6,022
	<hr/>
Total board of education	35,407
	<hr/>
Executive administration	
Salaries	85,676
Employee benefits	49,053
Purchased services	30,851
Supplies and materials	2,097
	<hr/>
Total executive administration	167,677
	<hr/>
Total general administration	203,084
	<hr/>

Continued...

LITTLEFIELD PUBLIC SCHOOL

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2007

School administration	
Office of the principal	
Salaries	\$ 251
Employee benefits	2,063
Purchased services	104,821
Supplies and materials	1,673
Total office of the principal	108,808
Other school administration	
Salaries	1,427
Purchased services	50,769
Total other school administration	52,196
Total school administration	161,004
Business services	
Fiscal services	
Salaries	
Employee benefits	
Purchased services	63,492
Supplies and materials	626
Total fiscal services	64,118
Other business services	
Purchased services	11,124
Total business services	75,242
Operations and maintenance	
Salaries	10,654
Employee benefits	2,812
Purchased services	154,765
Supplies and materials	109,958
Capital outlay	6,489
Total operations and maintenance	284,678
Pupil transportation services	
Salaries	30,819
Employee benefits	8,827
Purchased services	17,677
Supplies and materials	17,167
Total pupil transportation services	74,490
Total supporting services	823,466
Total operating expenditures	3,140,077

Continued...

LITTLEFIELD PUBLIC SCHOOL

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2007

Debt service	
Principal - early retirement incentives	<u>\$ 60,000</u>
Total expenditures	3,200,077
Other financing uses	
Transfer out	<u>84,179</u>
Total expenditures and other financing uses	<u><u>\$ 3,284,256</u></u>
	Concluded

LITTLEFIELD PUBLIC SCHOOL
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Balances July 1, 2006	Receipts	Disbursements	Balances June 30, 2007
ASSETS				
Cash	<u>\$ 50,727</u>	<u>\$ 41,534</u>	<u>\$ 64,355</u>	<u>\$ 27,906</u>
LIABILITIES				
Due to student groups				
High school groups	\$ 40,556	\$ 34,320	\$ 54,886	\$ 19,990
Elementary school groups	7,834	7,074	8,969	5,939
Scholarship payable	<u>2,337</u>	<u>140</u>	<u>500</u>	<u>1,977</u>
Total liabilities	<u>\$ 50,727</u>	<u>\$ 41,534</u>	<u>\$ 64,355</u>	<u>\$ 27,906</u>
The balances at June 30, 2006 consist of the following				
Due to student groups				
High school groups				
Art	\$ 61	\$ 250	\$ 213	\$ 98
Band	2,450	193	1,216	1,427
Cheerleaders	31	161	210	(18)
Class of 2007	8,816	8,725	17,541	-
Class of 2008	3,543	9,543	5,980	7,106
Class of 2009	583	856	334	1,105
Class of 2010	159	-	-	159
General	498	1,274	2,304	(532)
Horticulture	1,109	2,249	2,000	1,358
Jeans Day Fund	1,332	283	880	735
Junior Achievement	700			700
Parents for Safe Graduation	38	1,100	1,100	38
Physical Education	836	-	-	836
Baseball Team	1	2,235	564	1,672
Softball Team	-	855	-	855
Boys Basketball	99	-	-	99
Girls Basketball	149	-	-	149
Golf Team	1,600	-	-	1,600
Student Assistance	1,808	1,173	2,272	709
National Honor Society	52	278	192	138
W.I.S.E.	331	-	-	331
Yearbook	2,258	4,745	6,560	443
Public Communication	40	400	-	440
Changing Lives Program	13,520	-	13,520	-
Vending Machines	<u>542</u>	<u>-</u>	<u>-</u>	<u>542</u>
Total high school groups	<u>40,556</u>	<u>34,320</u>	<u>54,886</u>	<u>19,990</u>
Elementary school groups				
Elementary Activity	1,506	1,616	1,373	1,749
Elementary Jeans Day Fund	939	-	195	744
Kindergarten	-	694	212	482
Sixth Grade	426	-	426	-
Upper elementary	<u>4,963</u>	<u>4,764</u>	<u>6,763</u>	<u>2,964</u>
Total elementary school groups	<u>7,834</u>	<u>7,074</u>	<u>8,969</u>	<u>5,939</u>
Scholarship payable				
Harold G Sellers Scholarship	<u>2,337</u>	<u>140</u>	<u>500</u>	<u>1,977</u>
Total liabilities	<u>\$ 50,727</u>	<u>\$ 41,534</u>	<u>\$ 64,355</u>	<u>\$ 27,906</u>

INTERNAL CONTROL AND COMPLIANCE



**INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

September 5, 2007

Board of Education
Littlefield Public School
Alanson, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of ***Littlefield Public School*** (the "District"), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 5, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control over financial reporting. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting. These deficiencies are referenced as 2007-1 and 2007-2.

Finding 2007-1: Management is unable to produce financial statements in accordance with accounting principles generally accepted in the United States of America.

Response: Due principally to state budget cuts and the related negative impact on cash funds available to the District, the hiring of accounting personnel capable of writing the District's financial statements and footnotes in accordance with accounting principles generally accepted in the United States of America is cost prohibitive.

The District's response to the findings identified in our audit is described above. We did not audit the District's response and, accordingly, we express no opinion on it.

Finding 2007-2: Lack of segregation of duties exists in the accounting function due to the limited number of accounting personnel.

Response: As noted above, due to decreased cash flows of the District, management is unable to employ the number of accounting personnel to attain an adequate separation of duties between management functions, accounting functions and custody of the District's assets. The District recognizes this risk, but no change will be implemented because the costs would exceed the benefits.

The District's response to the findings identified in our audit is described above. We did not audit the District's response and, accordingly, we express no opinion on it.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider Finding 2007-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated September 5, 2007. We did not audit the District's response, the findings noted above and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, others within the organization, the Board of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.



September 5, 2007

Superintendent and Members of
the Board of Education
Littlefield Public School
Alanson, MI

In planning and performing our audit of the governmental activities, each major fund, and the aggregate remaining fund information of ***Littlefield Public School*** (the “District”) as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the District’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District’s financial statements that is more than inconsequential will not be prevented or detected by the District’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District’s internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we identified certain deficiencies in internal control that we consider to be significant deficiencies and one deficiency that we consider to be a material weakness. These deficiencies have been documented in the *Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards*. Certain other matters related to operational or administrative efficiencies and improvements to internal controls are included on the following pages.

This communication is intended solely for the information and use of the Board of Education, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

This letter does not affect our report dated September 5, 2007 on the financial statements of the District.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive style with a large, stylized 'L' and 'J'.

LITTLEFIELD PUBLIC SCHOOL
COMMENTS AND RECOMMENDATIONS
JUNE 30, 2007

APPROVALS OF NON-RECURRING MAINTENANCE EXPENSES

Per District policy, a requisition form must be completed and approved in order to purchase goods. The individual requesting the purchase completes the form. The form is then to be submitted to either the Principal or Supervisor for review and approval, as evidenced by signature on the form. We noted that, due to a lack of a maintenance manager, the approvals have not always been obtained. We recommend that any maintenance related purchases that have not already been preapproved as evidenced by a signed maintenance contract, are approved by either the Superintendent or the Principal.

CHECKS ISSUED TO EMPLOYEES

We noted during our audit procedures that there were certain checks issued to employees for reimbursable expenses that were signed by the employee in which the check was issued. Although, we noted the check issued was deemed approved based on provisions of the employees' contract, we recommend that an authorized signer other than the employee in which the check is issued, should sign the check. This would prevent potential unauthorized disbursements or the appearance of impropriety.

CHECKS ISSUED PRIOR TO BOARD APPROVAL

Normal recurring invoices that become due prior to a Board meeting have historically been issued prior to Board approval to meet the payment deadlines. The Board receives a listing of all checks issued at the Board meetings and approves the payments including those issued prior to the Board presentation. To prevent potential unauthorized payments, we recommend that a formal policy be adopted to describe the types of recurring payments that may be released prior to Board approval.

EXPENDITURES – COMPLIANCE WITH STATE OF MICHIGAN REGULATIONS

In order to keep the District's management informed regarding State of Michigan regulations, we present below a list of examples of illegal or unauthorized expenditures as defined in the Bulletin for Audits of Local Units of Government in Michigan as revised (Appendix H). We recommend that the District's management become familiar with this list in order to prevent the potential for illegal or unauthorized expenditures of the District's funds.

- Contributions to churches, veterans, nonprofit organizations.
- Payment of funeral expenses for a person injured on government property.
- Donations to a private ambulance or EMS service not under contract with the governmental unit.
- Donations, including use of property or equipment to Little League, Scouts, Big Brothers/Sisters.
- Donations to community organizations.
- Expenses for private road constructions or maintenance.
- Office refreshments, picnics.

LITTLEFIELD PUBLIC SCHOOL

COMMENTS AND RECOMMENDATIONS

JUNE 30, 2007

- Presents to officials and employees or retirement recognition events.
- Flowers to the sick or departed.
- Mileage of officials and employees to and from their residence to the City Hall.
- Extra compensation for summer tax collections unless part of the initial salary resolution or authorized with statutory procedures for an increase in salary.
- Extra compensation for special elections unless part of initial salary resolution or authorized under statutory procedures for an increase in salary.

GASB 34 FUND

Governmental Accounting Standards Board (GASB) Statement No. 34 required governmental entities, such as schools, to present certain information in District-wide financial statements. The District successfully implemented GASB 34 for its year ending June 30, 2004. A separate fund is to be setup in order to account for GASB 34 requirements. However, the District currently does not have this fund set up on its trial balance. While the State of Michigan does not yet require this fund to be included in the District's accounting records, we recommend that the District create this fund on its trial balance and adjust it annually.

CONCLUSION

It has been a pleasure to provide audit services to *Littlefield Public School*. Management was prepared for the audit, providing us with a reasonably adjusted trial balance and all supporting documents requested. Thank you for providing all requested information.

We appreciate your business! Thank you.